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LETTER DATED 6 MAY 1999 FROM THE SECRETARY-GENERAL
ADDRESSED TO THE PRESIDENT OF THE SECURITY COUNCIL

I have the honour to transmit to you herewith a letter dated 5 May 1999 from the High Representative for Implementation of the Peace Agreement on Bosnia and Herzegovina (see annex).

I should be grateful if you would bring the present letter to the attention of the members of the Security Council.

(Signed) Kofi A. ANNAN

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Annex

[Original: English]

Letter dated 5 May 1999 from the High Representative for the Implementation of the Peace Agreement on Bosnia and Herzegovina addressed to the Secretary-General

I have the honour to transmit to you the thirteenth report on the activities of the High Representative for the Implementation of the Peace Agreement on Bosnia and Herzegovina (see enclosure). I would appreciate your making the report available to the Security Council.

(Signed) Carlos WESTENDORP
High Representative

Enclosure

Report by the High Representative for Implementation of the Peace Agreement on Bosnia and Herzegovina to the Secretary-General

1. Pursuant to Security Council Resolution 1031 of 15 December 1995, which requested the Secretary General to submit reports from the High Representative in accordance with Annex 10 of the Peace Agreement and the Conclusions of the London Peace Implementation Conference of 8-9 December 1995, I herewith present the thirteenth report to the Council.

2. The Report covers the activities of the Office of the High Representative and developments in the areas listed below during the period from the beginning of January to the end of March 1999.

SUMMARY

3. Peace implementation got off to a satisfactory start early on in 1999, with progress towards implementing the pledges made at the PIC in Madrid in December. A donors' information meeting was held in Brussels on February 2nd, at which my Office presented a detailed breakdown of the costs we estimate Madrid implementation to involve.

4. In Republika Srpska (RS), there have been a number of important developments (which are set out in more detail later in this report). The process of forming a government in the RS has continued, despite the deliberate obstructionism of the RS President, Nikola Poplasen. This left me with no alternative but to remove him from office, which I did on March 5th, using the authority vested in me at the Bonn PIC. Milorad Dodik continues as care-taker Prime Minister.

5. On March 5th, the Presiding Arbitrator, Roberts Owen, announced his final Arbitral Award for Brcko. This is discussed at greater length in this report. The announcement was initially greeted with considerable hostility in the RS, and prompted President Radisic, the Serb Chairman of the tri-partite Presidency, to launch a boycott, with the backing of the RS National Assembly, of the common institutions. This has subsequently been lifted.

6. In the Federation, the Deputy Minister of the Interior, Jozo Leutar, was murdered in a car bomb attack in Sarajevo on March 16th, prompting a temporary boycott by the HDZ - lasting a week - of the common institutions, and heightening anxiety in the Bosnian Croat community. An investigation into this appalling act is underway, closely monitored by the UN IPTF, but the perpetrators have not yet been apprehended.

7. During March, events in BiH, especially in the RS, were increasingly overshadowed by the crisis in Kosovo. The start of NATO air-strikes the FRY provoked some hostile and violent reaction in the RS, and made necessary the temporary withdrawal of international personnel. A number of Embassy liaison offices in Banja Luka were badly damaged in attacks by mobs. Elsewhere in the RS a number of international vehicles were attacked. But despite attempts by a relatively small number of extremists to stir up trouble, the reaction of the vast majority of people in the RS has been commendably restrained. We have emphasised repeatedly that BiH is separate from events in the FRY, and the SFOR is separate from the Alliance Forces engaged in operations against the FRY. The majority of people in the RS appear unwilling to put at risk the hard-won peace in BiH.

8. It has been a turbulent few months for BiH. Recent events beyond our control may have slowed the pace of peace implementation; but they have certainly not stopped it in its tracks. My approach is, and will continue to be to the maximum extent possible, to keep the situation calm and under control until such time as moderate forces can renew and speed up their co-operation once the Kosovo conflict is over.

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COORDINATION OF CIVILIAN IMPLEMENTATION

9. **Peace Implementation Council**: The Steering Board of the Peace Implementation Council (PIC) has continued to meet on a regular basis at the level of Political Directors.

10. On February 1st, the Steering Board met in Brussels, where it focused on the handling of the situation in Republika Srpska, reviewed implementation of the RRTF return plan for 1999, the functioning of the common institutions and progress on the draft Permanent Election Law.

11. The meeting held in Sarajevo on March 17th - 18th discussed the work of my Office in the field of property legislation, the dismantling of parallel institutions and the conditions that need to be met before a Donors' Conference can be held. I have also continued to convene weekly meetings of the Board at Ambassadorial level in Sarajevo.

INSTITUTIONAL MATTERS

12. **Common Institutions**: The newly-elected Presidency of Bosnia and Herzegovina continued to meet quite regularly in the first two months of 1999, while the Council of Ministers held its first constitutive session only on February 11th. However, the abrupt interruption caused by the Serb reaction to the announcement of the Brcko Award on March 5th resulted in a disruption to the work of the central institutions for the rest of the reporting period (although meetings of the common institutions have now resumed, at my initiative).

13. The **Presidency** of Bosnia and Herzegovina (chaired by its Serb Member, Zivko Radisic, whose mandate as Chair will end in June) held four working sessions, all marked by the new cooperative and positive approach which was characteristic since the constitutive session on October 13th. Apart from routine work (ratification of agreements, agrements to foreign Ambassadors, etc.), agreement was also reached on the **Tri-partite Presidency Initiative on Return**. This called for the immediate return of 6000 refugees to their places of origin. A working group was established to develop the plan and co-ordinate action with all the other institutions involved. Unfortunately, the Presidency members have not so far followed up on these commitments, so this otherwise laudable plan has not yet been implemented.

14. Difficulties in forming the RS government after last September's elections delayed the appointment of Serb representatives to the **Council of Ministers**. This obstacle, as well as the inability of the Bosniac side to decide on their representative, was overcome on February 4th with the constitutive session taking place the following week, after Council members had taken their oaths of office. Some significant steps were taken: the chairmanship was extended, from weekly to monthly rotation - a step towards one of the chief goals of an overall reform to the Council – and the 1999 state budget was adopted. The working atmosphere in the present Council is more professional and co-operative that in its predecessor.

15. The **Parliamentary Assembly** continued to make progress in establishing functioning and effective support services. It also elected members to its working committees. It continued to meet regularly, before its Serb and HDZ members launched their respective boycotts of the common institutions. The Assembly approved the Members of the Council of Ministers; adopted amendments to the Law on Immunity; elected delegations to international organisations; and passed several important administrative and procedural decisions.

16. The **House of Representatives** also adopted a National Anthem for Bosnia and Herzegovina. Significantly the new National Anthem secured cross-party support. However, due to a disagreement on the text of the Law regulating the use of the National Anthem it is yet to be adopted by the House of Peoples. I expect this to happen soon.

17. The House of Peoples completed its establishment with the election of a fifth Croat delegate at its session on 25 April. This brought to a successful conclusion the efforts of my Office, in coordination with the OSCE, to ensure a more balanced composition of the upper chambers in the Federation. This

was not the case following the 1996 elections. It represents an important step in developing pluralism at the highest level in BiH.

18. **SCMM**: Since my last report, the Standing Committee on Military Matters (SCMM) has again made little progress. The meeting scheduled for March 9th was cancelled due to the Republika Srpska boycott of the common institutions. However, my Office (in conjunction with the OSCE and SFOR) has requested a progress report from the Ministries of Defence on the implementation of their commitments at the Madrid PIC. We will aim to process these reports through the SCMM. Despite the current political difficulties, the initial response, from all sides, has been encouraging. The aim is to produce a report by early July and also to establish an agreed grouping for the expanded (full-time) SCMM Secretariat.

19. **The Constitutional Court of Bosnia and Herzegovina**: At its last session held on February 25 and 26, the Court continued its consideration of a case concerning the conformity of Entity's Constitutions with the Constitution of BiH. The Court had been due to decide the case at its subsequent session - but the non-participation of the judges from Republika Srpska meant that the two sessions scheduled for 29 March and 29 April 1999 were cancelled. The next session is to be held in the beginning of June. The financial situation of the Court has not improved since my last report. The State failed to meet its obligation to secure adequate payments to the Constitutional Court from its budget. Furthermore, the voluntary fund of international donors envisaged in the Madrid Declaration, designed to supplement the Court's budget, has not yet been established.

20. **Immigration and Asylum Law**: The draft BiH Law on Immigration and Asylum was re-submitted to the BiH Ministry of Civil Affairs and Communications on 10 April 1999. The text drafted by the Council of Europe has been updated with the UNHCR, Council of Europe and the Venice Commission. I have made clear to the Council of Ministers that it must now be rapidly adopted and implemented.

21. **Succession issues for the Former Yugoslavia**: Bilateral meetings with Representatives of the five States were held in Brussels in January under the chairmanship of the Special Negotiator for Succession Issues, Sir Arthur Watts. The discussions focused on a new, simplified approach, putting a particular emphasis on the distribution of former SFRY assets between the five States which are already in their respective territories or held abroad.

22. Further discussions on such a "broad" settlement, which offers a more pragmatic way forward, are necessary - but further meetings with the five States are impractical in the present political circumstances.

23. **Border Issues**: Since the establishment of the Inter-State Diplomatic Border Commission between Bosnia and Herzegovina and the Republic of Croatia in December 1998, both parties have presented their initial positions concerning the mutual border line and subsequently have made significant progress in eliminating differences between the two positions. This Commission expects to conclude its work on identification of the border and for both countries formally to conclude an Agreement prior to August 1999. Additionally, discussions have begun on a local border regime for residents of both countries who require transiting the border on a frequent basis. There remain, however, concerns regarding increased congestion at border crossing points across the Sava River due to both increased traffic and the reconstruction of several bridges. Both countries have been urged to develop alternative border crossing locations and a comprehensive plan in response to changing traffic patterns.

24. **Brcko**: During the reporting period, there were few minority returns to the Brcko area of supervision. The reasons for this included the winter weather, the reduced availability of destroyed and unoccupied houses, and an atmosphere of uncertainty surrounding the outcome of the Brcko Arbitration process. There was minimal progress on the Supervisor's November 3 Orders, which had called for the Brcko municipal government to enable the return of non-Serb members of the municipal assembly, police, judiciary, and administration and to restore full ownership rights to those property owners to whom Article 17 of the now superseded RS Law on Abandoned Property had been applied. The Federation also failed to make significant progress on the return of Bosnian Serb displaced

persons in Brcko to their pre-war homes in the Federation despite its commitments under the Sarajevo Declaration.

25. Freedom of movement remains unhampered in the area of supervision. Brcko's multi-ethnic Police has continued to cooperate with IPTF and to function reasonably effectively, despite frequent delays in the payment of salaries for its officers and staff. The multi-ethnic Judiciary has also continued to function despite the minimal financial support it receives from the RS Government.

26. From February 8 to February 17, key members of the Brcko Municipal Government attended the Brcko Arbitral Hearings in Vienna.

27. On March 5, the Arbitral Tribunal's Presiding Arbitrator released the Final Award on Brcko. This Award stipulates that the pre-war Brcko Opstina is to become a neutral district whose "entire territory... will... be held in 'condominium' by both entities simultaneously..." (paragraph 11).

28. While most Bosniac and Croat political leaders accepted the Final Award's provisions, virtually all Serb leaders resisted them. The RS National Assembly passed a resolution denouncing the Final Award, and Serb political parties held daily protest rallies in Brcko. These rallies became bi-weekly by the end of the reporting period and dwindled to static gatherings.

29. On March 23, during an extraordinary session of the Municipal Assembly which focused on the Final Award, Brcko Mayor Borko Reljic publicly submitted his resignation. He remained in office throughout the reporting period, however.

30. On March 26, two days after NATO launched air-strikes against the FRY, Bosnian Serb journalists staged a walk-out of an OHR North press conference in a show of solidarity with the FRY.

31. On March 28, several hundred Serb protesters (many from out-of-town) marched toward the OHR North office in Brcko and hurled rocks and eggs at the building, which was vacant at the time. The multi-ethnic police formed a cordon to keep the protesters away from the building, which sustained damage to its windows. OHR North did not cease operations during this period, although it did temporarily reduce its personnel for security reasons.

32. Federation issues: The political scene in the Federation was dominated by increasing Croat complaints regarding the situation of the Bosnian Croat people within the Federation and by a deteriorating budget situation. The murder of the Deputy Minister of the Interior of the Federation, Jozo Leutar, in Sarajevo on 16 March, was a severe blow to the confidence especially of the Bosnian Croat community, and more widely.

33. In early February, Bosnian Croat War Veterans' organisations, with close links to the HDZ, launched a campaign, directed against the international community and promoting the concept of a Bosnian Croat "Third Entity". I have responded by taking steps to appeal to Bosnian Croats and their leaders to focus on real, practical issues such as social security, the economic situation and matters of every-day concern to ordinary families.

34. Following the assassination of Federation Deputy Interior Minister Jozo Leutar, the HDZ declared a one week moratorium of the common institutions. This lasted from 22-29 March, although its was only partially implemented.

35. Republika Srpska issues: The Arbitral Tribunal's decision on Brcko and the NATO campaign in FRY have evoked strong reactions in Republika Srpska. Mr Poplasen, whom I removed as President, has also attempted to exploit these events to strengthen the position of hard-liners. There has been a marked increase in political rhetoric - particularly from the Radical Party - and demonstrations in all major towns. But, with some serious exceptions, the protests have been peaceful and dignified. The hard-liners have not won the ground they hoped for. Implementation in Republika Srpska has been slowed, but not stopped by these events. Mr Dodik continues to operate as a care-taker Prime Minister with full powers.

36. I removed Nikola Poplasen from the Office of President on 5 March. Mr Poplasen had abused his power and blocked the will of the people of Republika Srpska by hindering the implementation of the election results, refusing to abide by the decisions of the National Assembly and consistently acting to impede the formation of a legitimate government supported by the National Assembly. He had consistently attempted to trigger instability in Republika Srpska, putting peace at risk both in Republika Srpska and the whole of Bosnia and Herzegovina. I took this decision reluctantly, and only after several warnings. But I could no longer allow this destabilisation to continue.

37. My decision on President Poplasen coincided with announcement of the Arbitral Tribunal's decision on Brcko. The decision, which created a Brcko district shared between the two entities, was widely perceived in the Republika Srpska as anti-Republika Srpska. Even moderate politicians expressed dismay at what they saw as the loss of a vital strategic link between Western and Eastern RS. I gave a press conference on the day of the announcement stressing that the Award fully protects the interests of all the constituent peoples and urging both sides to work constructively to implement the award in the interests of Brcko's citizens. I have also worked with Mr Roberts Owen and with Prime Minister Dodik to ensure that Republika Srpska remains engaged in the process of implementation, and in particular to clarify to RS politicians and to the public that the Award fully preserves the continuity of the RS. But much work remains to be done, particularly on the details of the Decision's annexes.

38. The NATO air strikes against the FRY have also had a significant impact on implementation in Republika Srpska. Most internationals had to withdraw temporarily from Republika Srpska, and the buildings of several Embassy Offices, International Organisations and NGOs were damaged or destroyed. My offices in Banja Luka and Brcko remained open throughout, but progress on implementation slowed to a standstill. The action in FRY is likely to have a major economic impact on the Republika Srpska - around 75% of RS exports are to FRY. My Office is working with the RS government on how these effects can be mitigated. I believe the political and security situation is stabilising. We are now re-engaging at all levels. I recognise the security constraints different organisations operate under, but my office has encouraged all those who are in a position to do so to return to the Republika Srpska and continue their important work.

39. Mr Poplasen, and other hard-liners, have attempted to take exploit the strength of feeling on the Brcko decision and the NATO action to reinforce their positions. Mr Poplasen has yet publicly to accept his removal from office. He continues, for example, to turn up at the Presidential office, ostensibly for work. But beyond his immediate circle it is generally accepted that Mr Poplasen is no longer the President. And I note that the hard-liners have thus far been unable, despite repeated attempts, to generate the mass popular protests for which they had hoped. For the moment, and until the situation in FRY is clarified, I have urged a freeze on major political developments in the RS. All parties, except the SRS, have indicated their agreement with this policy. I have also advised Mr Dodik's government to continue their normal business.

40. There has been one significant piece of legislation passed by the National Assembly during this period. National Assembly adoption of the Law on Amnesty goes some way towards meeting a requirement imposed by Annex VII of the Peace Agreement. However, then-President Poplasen refused to sign the law, so it has not yet come into force.

DEMOCRACY

41. Election Preparations for 1999: As noted in my last report, the Provisional Election Commission is continuing with preparations for 1999 municipal elections. In May the registration of political parties and coalitions will commence, together with voter registration. No date has yet been set for the 1999 municipal elections.

42. Electoral Law Reform: The group of independent national experts are working on preparing the draft Election Law. In order to speed up the work, the Head of the OSCE Mission in Bosnia and Herzegovina has agreed temporarily to chair this commission until an international chairman is recruited by my Office. The draft law is expected to be completed in July. At the same time a group of

international experts on electoral systems are studying electoral systems that will be presented along with the election law.

43. **Media reform:** The Draft Law proposal for the establishment of Federation TV was adopted by the House of Representatives of the Federation Parliament at the end of April. All parties agreed the need for proper regulation of electronic media and that laws on public broadcasting at the entity or state level were lacking. Parliamentary comments on the draft law will now be urgently reviewed by the Federation Government with the aim of promptly resolving outstanding issues. In particular, the disputes over Article 16, pertaining mainly to language issues, and Article 71, which deals with the status of RTV BiH property, will be carefully examined prior to its return, on a fast-track basis, to the Parliament for final adoption. HoR Deputies also concluded that the State should create a BiH-wide media law for the formation of State broadcaster, and that, in the interim, the Federation Government and the International Community should assist with the financing of RTV BiH.

44. Discussions concerning the establishment of an Annex 9 corporation for telecommunications and broadcast infrastructure are ongoing but have been hampered by the failure of the Prime Ministers of both Entities to meet on the issue within the framework of the Annex 9 Commission on Public Corporations.

45. The fragile political situation in the RS, in addition to the climate of uncertainty among the majority of RS citizens about events in the FRY, were the primary causes for a noticeable deterioration in the news broadcasts on Republika Srpska media, including SRT. Although disappointing, the current retrogression is in no way comparable to the previous excesses of inflammatory rhetoric seen prior to the restructuring process. In addition, the Independent Media Commission structures now in place enable constant detailed monitoring of offending stations and provide the legal and procedural means to react promptly to any violations of the Broadcast Code.

46. The Independent Media Commission is now fully functioning. Since its establishment in July 1998, it has now become the focus of media regulation and in Bosnia and Herzegovina, a key factor touching upon all major media objectives of the International Community.

47. Over 200 completed broadcast license applications have been delivered to the IMC and the provisional licensing process for a number stations in the Federation of BiH and the Republika Srpska has been completed. Realization of the entire licensing process is expected in June.

48. Vital to its role as the Licensing and Regulatory Authority for the whole of BiH, an IMC regional presence on the ground is of paramount importance. The Banja Luka and Mostar offices are now fully functioning with monitoring capabilities and production of weekly reports. Further offices are planned. To further penetrate into the regions, six Regional Advisory Panels have been established by the Monitoring and Complaints Department.

49. The new BiH Press Code was adopted on schedule on 29 April. Developed primarily by the six journalist organisations in BiH in meetings mediated by the IMC, the final text also incorporates comments from the IMC and other international organisations, including the International Federation of Journalists and the World Press Freedom Committee. This code embodies the International Community's firm commitments to the values and standards of self-regulation for the press, especially those which set and maintain basic standards of professionalism which in turn call for minimal regulatory intrusion.

50. A proposal, prepared by the IMC, for the establishment of a Press Council has now been presented to the BiH journalist organisations and key international organisations involved with media development. The fundamental principle suggested is one of non-governmental involvement and limited international logistical support for a transition period. Founding of the Council is scheduled for late summer.

51. Working Groups to review and reform media laws on broadcast related issues have been set up and include members nominated by the governments of both entities. In addition, the IMC Legal

Department is involved in the working group on the permanent election law concerning media issues and has drafted for discussion an IMC Code on media rules for elections.

52. Initial preparatory work for the PSIC has begun with the commissioning of surveys and establishing of contracts with local production companies. We envisage an aggressive and issue focused campaign in the run-up to the municipal elections at the end of this year.

RETURNS

53. Following the endorsement of the RRTF Action Plan by the Madrid Peace Implementation Council in December, implementation of the plan started immediately. Significant progress has been made in terms of actual returns and regarding the space, security, and sustainability tasks set out in the plan. The RRTF structure responsible for *plan delivery* has been put in place and is fully operational, within the security constraints imposed by recent political events in BiH and military developments in the FRY.

54. The number of registered minority returns in the first two months of the year was almost double that of last year (1,116). Although the numbers fell during March (some 600 minority returns compared to almost 1,200 the year before), first quarter minority returns were still roughly equal to last year. In an encouraging development, house-cleaning, assessment, and other visits in preparation for return have continued throughout March and April, with over 1,200 individual visits in March alone.

55. The return process for Croatian Serbs currently residing in Republika Srpska has slowed down further and almost halted. This is partly due to the season but to a larger extent due to a bureaucratic process in Croatia that is far to cumbersome and time-consuming and as a result creates disenchantment among potential returnees. The Croatian Government reconstruction programme for returning Serb refugees has so far not met expectations. I am particularly concerned at delay in holding Croatian Consular Days in Banja Luka, and at the slow progress in the renovation of the Croatian Consulate-General building. As a result, Croatian Serbs currently living in the RS have no access to documents which would permit them to return. My office is in touch with the Croatian Government on this issue.

56. The space tasks of the RRTF Plan have been given priority in the first quarter of 1999, to help generate living space for return. Achievements include changes negotiated to the Federation property laws to improve implementation and other measures. Together, if implemented satisfactorily, these will go a long way towards facilitating returns to socially-owned apartments and protecting the property rights of displaced persons. The strengthened RRTF network is actively contributing to improved monitoring of implementation of the property laws, as well effective interventions (e.g. in Zenica; Stolac; and Sarajevo). Operational tools are also being put in place to improve the rate of return to reconstructed housing, and to housing units vacated as a result of return. Funds have been secured for reconstruction - though more are needed. A Property Study will commence in May to address the need for reform of Bosnia and Herzegovina's property system as part of its transition to a market economy.

57. Progress in the security sector includes SFOR's development of a detailed tracking system allowing for improved return security planning and early warning. UNMIBH's minority police recruitment and return strategy is progressing. Over 1,700 applications have been filed with the UN IPTF, out of which 1,000 have been approved as eligible. So far, the Federation Interior Ministry has tested and admitted 119 candidates (50% women; 70% Serb) to the Federation Police Academy. The political crisis in Republika Srpska has blocked progress there except in resolving minor technical issues. At the request of the Special Representative of the UN Secretary General, I issued a Decision on 15 March 1999, removing many legal and administrative obstacles blocking minority police recruitment throughout BiH.

58. The sustainability challenge is of a long-term nature and requires considerable resources and technical inputs. A UNHCR-OSCE study is underway on improved access to and transfer of pensions; the OSCE continues to lead a programme for the priority return of minority councillors; individual Regional RRTFs have taken on issues such as health, education or employment issues within their

areas of responsibility; and further funding has been committed to school rehabilitation, job creation projects that are integrated with reconstruction, and to strengthening the institutional and financial capacity of local governments in Bosnia.

59. Despite these positive developments, the changed political landscape in BiH and the crisis in the FRY have inevitably affected RRTF Plan delivery. While the number of Sandjakis and Kosovars in Bosnia and Herzegovina has increased in recent weeks - since March 24, an estimated 2,000 Kosovar Albanian refugees and 20,000 Sandjak refugees have been added to the 13,000 Kosovar refugees already here, both groups concentrated in the Federation - the risk that the crisis in Kosovo could yet lead to further refugees arriving by the thousands if the situation in either Montenegro or Sandjak deteriorates is of much greater concern. An estimated 10,000 Serbs have been absorbed into the Republika Srpska from the FRY in recent weeks (though figures are unreliable) including Croatian Serb refugees and Serbian draft evaders, while some Bosnian Serbs have taken the opportunity to return home or opt for internal displacement in the Republika Srpska.

60. The impact of the crisis in the FRY on returns has been more political than practical, however. Nationalist rhetoric and anti-IC attitudes are evident in many parts of the Republika Srpska and the Federation and security concerns have hampered the IC's ability to work in certain areas of the Republika Srpska for weeks. If Bosniac returns to the eastern RS remain blocked, then it will be difficult to gain local acceptance for substantial returns to the Federation, even more so if the burden of recent refugee arrivals grows. The fact that no Bosnian Croat assessment or house-cleaning visits have taken place this year may be an indication of the unease they feel about the present political climate in the Federation, as well as in the RS. Yet in contrast to 1995-6, when similar distrust of the political and military arms of the international community was widespread, there is little sign of rising inter-ethnic tension among ordinary Serbs, Croats and Bosniacs. No significant increase in incidents against minorities in the RS has been reported in the past two months and recent returns have included particularly sensitive areas such as Kotor Varos, Prijedor and Japra Valley in the Republika Srpska, and Rastani and Prozor-Rama in the Federation.

61. So, despite the obvious setback, the implications for minority return may be less grave than some would suggest. In previous years, the peak return season has not started until summer. Many displaced persons still seem intent upon return, despite recent events in Bosnia and Hercegovina and neighboring countries. Local officials in such apparently "hard-line" Eastern RS municipalities as Zvornik, Sokolac and Pale remain in dialogue with the RRTF regarding minority return projects. Given that one of the international community's foremost aims in adopting the RRTF Plan was to help realise the wish to return of those displaced persons who are prepared to take personal risk to go home in defiance of nationalist politics, then there seems no need - as yet - for revising the Plan, nor the IC's commitment to it.

In concrete terms, what is required from the international community as a whole to support the return momentum remains: political will on the part of the IC collectively to help remove political obstacles to return, more focused, directed, and better co-ordinated assistance programmes than ever before as budgets are squeezed, preparedness for a redirection of aid resources in response to actual return movements and changes in the political situation on the grounds. There also needs to be a return to "business as usual" in the Republika Srpska, in order to encourage normality and show that the international community believes that returns are viable.

HUMAN RIGHTS AND RULE OF LAW

62. While, as indicated above, there was an increase in the number of assessment visits by potential returnees which passed without incident across Bosnia and Herzegovina, incidents of return-related violence continued to be reported between January and March. In January, the UN IPTF Commissioner announced that each member of the Stolac Police Administration was to be placed on three-month probation. This decision followed an extensive review of the Administration which was based on a wholly inadequate response of the Stolac police to more than 70 incidents of returnee-related violence and intimidation in Stolac municipality from March to December last year. A number of attacks on representatives of the international community and minority returnees to the Republika Srpska, particularly in Prijedor and Modrica, followed the commencement of NATO air strikes. UN

IPTF continues to monitor the investigation of the Cantonal Police into the murder by bombing of Bosnian Croat police officers in the Travnik area. In February, a Bosnian Croat police officer in Travnik was injured when by an explosive device placed under his vehicle. This incident follows two deaths on separate occasions last summer by a similar method increasing tension in the area and giving rise to a temporary move from Travnik by all Bosnian Croat police Officers to a nearby municipality.

63. **Judicial and Legal Reform**: Since the meeting of the Peace Implementation Council in Madrid, my Office has continued to focus its efforts in the area of judicial reform by stressing the need for an independent and impartial judiciary. No judicial reform program will be effective without the development of an independent and impartial system staffed by judges who base decisions solely on law and fact. To that end, my Office has intensified its efforts to resolve any outstanding issues before the submission of a draft law on a Judicial Selection Commission to the Federation Parliament. Significant progress has been made toward the submission of this proposed legislation and a proposal to be submitted to the Federation Parliament is expected before the 30 June 1999 deadline established at Madrid. The current political situation in the Republika Srpska has constrained progress in that Entity but my Office is continuing its efforts toward the preparation of parallel legislation.

64. In accordance with the Madrid mandate, I am finalising the development of a comprehensive judicial reform strategy to be presented to the Peace Implementation Council Steering Board in June. My Office continues to co-ordinate the implementation of programs by governments, international organisations and non-governmental organisations involved in judicial reform including the Council of Europe and OSCE. Additionally, my Office has established an effective relationship with UNMIBH's Judicial System Assessment Program (JSAP) and will continue to draw upon the expertise and information that organisation is developing.

65. In my last report, I noted that the investigation and prosecution of serious crime, particularly return-related violence and other organised crime, had been identified as a priority for this year. To that end, in conjunction with OSCE, my Office has continued its work on establishing an appropriately strengthened prosecutor's office at the Entity level. Draft legislation to ensure the appointment of independent and impartial prosecutors is being prepared for consideration by the Federation Parliament. A draft law on Amendments to the Law on the Federation Prosecutor's Office is also currently under consideration and will address the jurisdiction of prosecutors at the Federation level, staffing issues, and the role of the Federation Prosecutor in prosecutions and investigations at the Cantonal level.

66. Training prosecutors has been an important objective for my Office as well as those of several of the implementing agencies involved in judicial reform. The Council of Europe is in the process of training legal students and professionals in matters relating to the European Convention on Human Rights. OSCE will sponsor training for prosecutors and police regarding complex investigations in co-ordination with ABA/CEELI and the Anti-Corruption Unit within my Office. In addition, efforts at improving the availability of legal materials for professionals have been stressed by OSCE, with specific focus on publishing the first edition of law commentaries as well as a compilation of Bosnian laws. Similar programs had been initiated in Republika Srpska but have been placed on hold during the current crisis. Reform efforts through legislation and training are planned for the Republika Srpska for the future.

67. I am encouraged by the recent example of increased inter-entity judicial cooperation, reflected in the acquittal of all charges by the Sarajevo Cantonal Court and release of acquittal of a Bosnian Serb, Miodrag Andric. The 20 May 1998 Memorandum of Understanding on Inter-Entity Judicial Cooperation was instrumental in order to obtain new evidence which formed the basis of Mr. Andric's acquittal.

68. I await with deep concern the decision of the Supreme Court of the Republika Srpska to hear the appeal in the Zvornik 7 cases. On 12 December 1998, the Bijeljina District Court sentenced Nedzad Hasic, Armo Harbas and Behudin Husic to 20, 20 and 11 years imprisonment respectively. I have consistently maintained that the documented violations of the human rights of the Zvornik defendants, as identified by the Human Rights Ombudsperson, must be remedied.

69. Human Rights Institutions: I remain extremely concerned by the continued failure of the authorities in Bosnia and Herzegovina to ensure that the decisions and recommendations of Human Rights Chamber and the Human Rights Ombudsperson are implemented. This particularly applies to property-related cases involving apartments purchased by former members of the Yugoslav National Army (JNA); continued failure to comply with these decisions will have negative implications for Bosnia and Herzegovina's accession into the Council of Europe. Some progress has been seen in other areas, however, including an investigation into the persons responsible for the shooting death and injuries in Mostar on 10 February 1997, pursuant to recommendations by the Office of the Ombudsperson. Further, the reporting period has seen greater co-operation between the government agents to the Human Rights Institutions and those institutions.

70. Property: By the end of January the Federation had established an effective claims system for repossessing property. The rate of decision-making and enforcement of decisions, however, continues to be very poor, particularly for private property. In addition, a number of other legislative amendments necessary to safeguard specific vulnerable categories of claimants has not been made, including measures to ensure that apartments which are not claimed are used for humanitarian purposes. For these reasons, I extended the deadline for claiming apartments on 1 April by a further 3 months. Negotiations with the Federation authorities on legislative reform and implementation are now constructive, and it is unlikely that I will have to extend the deadline for filing claims again.

71. The Republika Srpska Ministry for Refugees and Displaced Persons has organised its municipal offices responsible for receiving and deciding claims for the repossession of property, in accordance with the property legislation passed in December 1998. The registration of claims has begun in most municipalities, but extremely slowly with many early problems. International monitoring and intervention has been hampered by the lack of staff in the field due to security concerns related to the regional crisis; reinforced efforts will be required to increase the level of implementation in the coming months.

72. In the coming period, my Office will press for legislative reform to deal with misallocation of apartments and socially owned land during and since the conflict, as well as improved mechanisms for the repossession of property.

73. Education: I am deeply concerned that the implementation of the Textbook Review Project agreed between the Ministers of Education of both Entities in May 1998 on the removal of offensive materials from textbooks of national subjects in use in primary and secondary schools continues to progress very slowly. The Ministers have yet to agree to instruct their experts to draw up guidelines regarding the resolution of disputes over basic terminology, or on the removal of generally offensive material. Further, progress between the Ministers on how to resolve issues of disagreement with regard to the contents of lessons such as History and other "national" subjects has been extremely slow. Despite on-going discussions, the commitment of the Sarajevo educational authorities to withdraw textbooks judged to contribute to ethnic hatred and intolerance from all schools by the beginning of the new school year has yet to be met. In the meantime, my Office continues to support the work of UNESCO, the Council of Europe, the World Bank and others in their work to reform the education system through programmes to address financial, governmental and curricula aspects of the system at all levels.

74. Civil society: Initiatives to promote the establishment of a legal framework for non-governmental organisations and foundations which would contribute to the development of a sustainable civil society in Bosnia and Herzegovina continue. While the draft Law on Associations and Foundations drafted by local non-governmental organisat ons and international experts has been finalised, no progress has been made in negotiations with the authorities towards the adoption of this legislation.

75. Economic and Social Rights: I remain concerned by reports of persistent discrimination in the area of economic and social rights based on various grounds, including a political and ethnic basis. Such practices deprive a substantial part of the population of the most elementary means of survival. In order to devise a coherent strategy to prevent and eliminate discrimination and other human rights abuses in the area of economic and social rights, my Office has established a Co-ordinating Group on Economic and Social Rights comprising relevant national and international organisations and

institutions. Among many crucial issues, the Group is considering ways to address the issue of discrimination in employment. The Group also aims at encouraging those involved in the development of economic and social policy, as well as donors and investors, to pay attention to the existence of discrimination in the mentioned areas and to find means to discourage and sanction such practices in the conception and implementation of their programmes.

76. Cooperation with the ICTY: In January, SFOR troops attempted to detain a Bosnian Serb in Foca under open indictment by the ICTY which resulted in the shooting death of the individual. Following the attempted detention, serious acts of violence directed against members of the international community occurred. This was the second instance of such violence in just over one month when members of the international community were attacked following the detention by SFOR troops of a Bosnian Serb in December.

77. Missing Persons and Exhumations: My Office has devoted its efforts during the reporting period to preparing for the coming exhumation season and further progress has been made between the parties on identification of sites for upcoming exhumations. I am extremely concerned, however, with the serious failure of the Parties to share information regarding the fates of detainees unaccounted for and with respect to the missing more generally within the Working Group on Missing Persons.

78. Police Restructuring: Police restructuring activities focused on the recruitment and training of minority police officers in the Federation and in the RS. In Zenica-Doboj Canton, 99 Croat officers completed transitional training for deployment to minority posts in the Canton. In Sarajevo, Federation police officials and UNMIBH identified the first class of 107 minority candidates, of which 50% are women and 70% are Serb, for training at the Federation Police Academy. UNMIBH has been guiding renovation of the facility, at which multi-ethnic instructors will introduce an IPTF-approved training curriculum to the new class. Interior Ministry authorities in Canton 10 (Livno) refused to nominate Croat candidates to the Academy, and in Canton 8 (Ljubuski) officials withdrew previously nominated Croat candidates on grounds that education of police is a Cantonal competency. The assassination of the Bosnian Croat Federation Deputy Minister Leutar by car bomb in mid-March further strained Croat participation in policing structures at the Federation and Cantonal levels.

79. In the RS, Interior Ministry officials handed over, for the first time, a list of nearly 8000 currently serving police officers. Ministry officials also identified a location in Banja Luka for the new RS Police Academy. UNMIBH forwarded to the RS Interior Ministry a list of 250 minority candidates, of which 10% are women, for review and selection.

80. In March, I used my Bonn Powers to give IPTF Selection Procedures precedence over myriad local administrative and legal provisions that had the net effect of slowing or preventing minority police recruitment.

81. Border Service: My Office drafted a working copy of the Law on State Border Service and submitted it to the German Interior Ministry for independent review. In February, My Office presented the State Border Service project to the PIC Steering Board and to a pre-donor's conference in Brussels. My Office and UNMIBH continued with technical preparations for the Border Service project and developed training curricula, organization charts, and deployment schedules for the yet-to-be created force. Serb blockade of the Common Institutions in early March halted progress on the political front.

82. Freedom of Movement: My Office conducted wide-ranging consultations with Cantonal, Federation, and RS Interior Ministries in preparation for the launching of the Common Driving License initiative. The document will be political neutral and free of political connotation and meet EU standards.
My Office led negotiations between vehicle insurance representatives in the Federation and the RS over the accreditation of RS companies to issue "green card" insurance certificates. Drivers in the RS do not have access to the green card, which severely restricts their ability to travel freely in Europe. My Office has set a deadline of 31 May for resolution of the issue.

ECONOMIC REFORM AND RECONSTRUCTION

83. Impact of NATO strikes on the RS Economy: At the time of writing, it was not possible to make a clear assessment of the impact of NATO strikes on the RS economy. The RS government sources have warned about large job losses if the strikes continue. My Office has received confirmation that both imports from and exports to FRY have declined substantially. As a large share of RS exports is destined towards the FRY, a decrease in production would likely bring job losses. Declining imports potentially also have an effect on the government budget. However, as the RS does not levy customs on imports from the FRY (only a one- percent administrative fee), this effect will be small. Finally, it should be noted that a depreciation of the Yugoslav Dinar, which is expected as a result of the war effort of the Yugoslav government, could have substantial negative effects on personal income as the Dinar is still in wide use in the RS.

84. Impact of the current political situation on BiH economy: Despite the current political situation, donor commitment in BiH has not faltered. On-going projects have continued, although probably at a slower pace in the RS due to travel restrictions and the closure of international offices. While new projects have not yet suffered significant delays, many reform initiatives and negotiations virtually came to a standstill in early March due to the events in the RS (dismissal of President Poplasen and Brcko award) and the Croat moratorium following the death of the Federation Minister of Interior. If unaltered, this situation could have a detrimental impact on donor aid.

85. Reconstruction: Infrastructure issues related to promoting freedom of movement continue to require the attention of my Office. The reconstruction effort continued at a steady pace, with important projects under implementation all over the country, mainly in the transport, energy, water and housing sectors. The repair of the water supply systems mainly focused on smaller towns and villages.

86. Bridge reconstruction has begun at Gradiska and Brod. The EC-funded bridge at Gradiska is expected to be closed for reconstruction around mid-June and de-mining activities are now being carried out. While the Gradiska Bridge is closed for reconstruction, the border crossing at Novi will be opened as a 1st category border crossing point to allow an alternative access point to BiH. Reconstruction of the bridge at Gradiska is expected in six months. The USAID-funded bridge at Brod was closed for construction early February and is expected to be opened in May 2000.

87. The uncertainties about the political situation and the strike against Yugoslavia nevertheless contributed to a slow down in the progress of many projects in the Republika Srpska (e.g. Brcko). It should be noted that the absence of the international community in the Republika Srpska at a time when projects are usually prepared for the summer reconstruction period is expected to have a negative impact on its ability to proceed in 1999. The share of the Republika Srpska represented about a quarter of the total reconstruction effort during the period under consideration, but this is likely to decrease due to the above-mentioned delay in the preparation and signing of new projects.

Reform of Public Utilities and Implementation of Annex 9

88. Power: Much progress was made on the establishment of a Joint Power Coordination Centre (JPCC) in accordance with the agreement signed by the three currently existing Elektroprivedas on November 3,1998 ("the Agreement)."Energoinvest building in Sarajevo (Pofalici) was chosen as the location of the Centre ,which was registered as a business association, established by the Elektroprivredas (EP). The Statutes, The Book of Rules and manpower requirements have been prepared and approved by the JPCC Board of Directors. The fulfillment of the Stage I of the Agreement , by March 31, 1999, resulted in the release of funding, by the World Bank, for the Second Electric Power Reconstruction Project. It is recognised that some functions would not be fully operational at the beginning of JPCC existence. This is mainly due to the lack of SCADA system implementation and a gradual rehabilitation of 400 kV transmission system.

89. Railways: The Draft Law on the Organisation of the Federation BiH Railways has not yet been adopted. It has been revised with the assistance of my Office and is still under discussion. A Commission was established to work on this Law. The task of this Commission is to provide a working version and submit this to the Federation Ministry of Transport and Communications for further action

by the Federation Government and the Federation Parliament. From a recent meeting with members of my staff, it clearly appeared that the main unresolved issue between the two Federation partners related to the creation of only one rail infrastructure company instead of the two which are currently existing in the Federation. It is hoped that this issue will be solved at the forthcoming Federation Forum. Meanwhile, with the assistance of my Office, a cooperation has developed between the railway companies of the Entities. An agreement was reached upon the between the Entities of the existing rolling stock, following an inventory to be made under the supervision of U.I.C. (the International Union of Railways).
The BiH Joint Public Railways Corporation (BHZJK) has done some effective work, especially in the preparation of a project which is under consideration by the European Investment bank. The Corporation also worked upon the finalisation of its statutes. However, the issue of its registration has not yet been resolved. and this clearly hampers its activity. It is acknowledged that new legislation is necessary to permit the registration of Public Corporations under Annex 9 and drafts have been prepared to that effect. However, the non-functioning of the Commission on Public Corporations, which resulted from the political uncertainties in Republika Srpska, did not permit to reach a final solution and has similarly delayed the programme of work which was proposed to the Commission for the first months of 1999. Draft statutes for the Corporation have been revised and are under further review.

90. **Telecommunications:** Since the intervention from my Office in December 1998 to re-establish inter-entity telephone links, developments in the field of Telecommunications have been encouraging. There are now over 600 inter-entity links operational. On 18 February 1999, the Council of Ministers made the first appointments (three full-time members and two of the three part-time members) to the Management Board of the Telecommunications Regulatory Agency. At the time of writing, however, circumstances have prevented the Telecommunications Agency from taking up its activities. The numbering plan for BiH is being worked on intensively and it is expected that in the next reporting period the numbering plan will be in place.

91. **Post:** Inter-Entity mail exchanges have continued to take place without interruption. With the assistance of an expert provided by the Government of the Netherlands, a draft of a new State- level Postal Law has been completed. It will be discussed in April by all parties at the headquarters of the Universal Postal Union in Bern. Discussions are on-going with various parties to identify funds for the much- needed reconstruction of this sector.

Macro-economic reform and transition

92. **Economic Task Force:** The Economic Task Force (ETF) remains a central forum for seeking and providing guidance to the donor community for targeting as well as applying conditions to economic assistance. Most recently, the members of the ETF reviewed and approved the conditions for the 1999 donors' conference prepared by my Office. These include satisfactory progress on minority returns, implementation of the property laws; full implementation of the BiH Customs Law and extra customs duties according to the decision by the Council of Ministers; a plan by the entities on the liquidation and reform of the payment bureaus; improved progress in the privatisation process, specifically the full functioning of all Privatisation Agencies and harmonization of the entity laws with the Framework Law as well as the enforcement of its provisions; and funding of public television by passing respective legislation, which is the responsibility of the Entities.

93. **Konvertible Marka:** The KM continues to gain wide public acceptance. The depreciation of the Yugoslav Dinar (YUD) and the Croatian Kuna have convinced people to hold KM, the most stable currency in the region. Starting 1 April 1999, the KM would be available to buy or sell at four major European banks in three countries: Bank Austria and Raiffeisen Zentralbank in Austria; Dresdner Bank in Germany; and Credit Suisse in Switzerland. A recent public opinion survey indicated that 86 percent of those polled in Banja Luka said that they trusted the KM the most against the Kuna or the Yugoslav Dinar. An overwhelming majority in Livno, a town in the Herzegovina region where the Kuna has sentimental attachment, said the same. In the Republika Srpska, the total stock of money is equally spread between the KM and the YUD. In addition, the payment of taxes in that Entity is equally spread between the KM and the YUD. The government is paying pensions and salaries to its employees in equal proportions of the KM and the YUD.

94. Payment Bureau: The reform in this arena is being led by an International Advisory Group (IAG), with representatives from major international organisations and donors including my Office. The IAG reached agreement with the local authorities on a strategy to dismantle and eliminate the Payment Bureaus from the BiH payment system by December 2000. The current tasks of the Payment Bureaus will be transferred to the appropriate institutions. The Payment Bureaus (the ZPP and the ZAP in the Federation, and the SPP in the RS) are an inheritance of the Social Bookkeeping Service (SDK) of the former Yugoslavia. They have monopoly control over all domestic payments and cash deposits. This monopoly position, together with the non-transparency and high transaction fees charged by the payment bureaus, cause high risk for private enterprises and prevent the development of a strong commercial banking sector. In both the Federation and Republika Srpska, a Governing Board will be established to oversee the process of dismantling and finally liquidating the payment bureaus. The functions of the Payment Bureaus will be transferred to commercial banks and government institutions. This transition will be smooth.

95. Customs and Trade: My Office has made good progress in creating a single economic space in Bosnia and Herzegovina. After the Council of Ministers adopted several by-laws to the Customs Policy Law in January, the most important parts of the legislative framework for customs are now in place. As a major step towards full implementation of the customs laws, both Entities have agreed to replace the illegal duties (*prelevmans*) by additional import duties at the State level. This has been a difficult issue where both Entities were not able to agree on how to protect domestic industries. The last step will be the cancellation of the preferential customs treatment of imports from Croatia and Yugoslavia. A decision by the Council of Ministers to abolish these treatments and fully implement the Customs law is anticipated soon. To further normalize and encourage external trade, preliminary work has started on a trade agreement between Bosnia and Herzegovina and Croatia. A three-member delegation, appointed by the Presidency of BiH, has started the negotiations with a first visit to Zagreb. Following the Ministerial Agreement of August last year, the working group on harmonization of indirect taxes has also made good progress. Harmonized sales and excise tax rates will remove an important incentive for tax evasion and impediments for internal trade in BiH.

96. Privatisation: My Office remains committed to assist and accelerate the privatisation process to boost economic growth led by the private sector. It will be recalled that I imposed the BiH Framework Law on Privatisation of Enterprises and Banks (Framework Law) in July 1998 to ensure a fair and transparent process and to allow displaced persons and refugees to participate without discrimination. I am, however, still concerned about the attention given to the participation of displaced persons and refugees in both Entities.

97. The Federation privatisation laws have been amended in early 1999 to bring them into compliance with the Framework Law. The amendments are with respect to the reference date (1991) for citizens to receive vouchers. Further amendments are needed to bring the laws fully in line with the Framework Law and to iron out inconsistencies. Possible adjustments of the RS legislation are under discussion.

98. I established an independent Privatisation Monitoring Commission to monitor the compliance of the privatisation process with the GFAP and the Framework Law. The Commission is also tasked with providing expert advice to me on privatisation-related matters. I have appointed three highly qualified and experienced individuals financially supported by the Governments of the Netherlands, Sweden and the USA. The first meeting of the Commission took place in January 1999.

99. Another important legal body for the transition to a market economy is the Securities Commission. The Federation Government has appointed four qualified Commissioners and I have, according to the Federation Law, on Securities Commission, appointed the fifth and international member. The Federation Securities Commission will be inaugurated in April 1999.

100. Anti-fraud: Work on anti-fraud is progressing well. Following the first in a series of seminars with judges, prosecutors and police from both Entities, in December 1998 in Germany and Austria, which focused on successful western-based investigative and prosecution systems which utilize the anti-corruption task force concept, plans are underway to proceed with similar conferences. The Steering Board approved a Comprehensive Anti-Corruption Strategy of the Anti-Fraud Unit of my

Office. Aspects of the strategy include elements of economic, legal and judicial, police and institutional reform. The strategy utilizes four pillars--eliminate opportunities, transparency and reports, controls and penalties, and education -- to provide the tools needed to identify, develop and implement changes in the structure and procedures of government to eliminate or significantly reduce corrupt activities and heighten public awareness.

101. Statistics: In the framework of the joint institutions, the BiH Statistics Institute established with a decision of the Council of Ministers in August 1998, through the strong support from the International Community and my Office is now fully operational. The management composed of representatives of the three constituent peoples of BiH is increasingly cooperating with a view of integrating aggregate countrywide data. The first Statistical Bulletin was published in March 1999. It contains aggregate data on various key sectors such as agriculture, forestry, construction, education, transport and communication. The second, containing data on employment and wages, traditionally very important indicators, has been finalized and is ready for distribution. The third is in preparation and will contain aggregate figures on the same subjects and partial information on average prices. Additionally, the fourth Statistical Bulletin planned for June 1999 will contain new data on industry.

102. Agriculture: My Office is responsible for chairing the Agricultural Task Force, which is mandated to coordinate between the international community and local authorities on long-term rehabilitation and development of the agricultural sector. It has two components. The Steering Committee, comprised of members from key international organisations and Ministries of Agriculture from both Entities, reviews agricultural initiatives. The Open Forum elicits ideas from members of the international community interested in the agriculture sector.

103. Mostar: Following a successful restart of the operations at the Mostar airport in the last quarter of 1998, a six-month extension of my arbitration decision has been ordered to carry out the transfer of the airport authority to the joint authorities of the City of Mostar by September 1999. Rehabilitation and re-equipment projects in the value of $5.9 million are under way or in preparation and should ensure the airport's profitability over the long term.

104. Civil aviation: The draft of the Civil Aviation Law was, for the second time, submitted to the Council of Ministers on 17 November, 1998. No significant action has been taken to adopt this act.

105. COMSFOR delegated the authority and responsibility for management of the upper airspace(between FL 330 and Fl 450) over Bosnia and Herzegovina(BiH) to the BiH Department of Civil Aviation (DCA). A plan for the control of this airspace by DCA is critical because the DCA is in desperate need of revenue and, without such a plan, EUROCONTROL is unable to distribute the overflight revenues which have been collected in the past as well as those payable currently. The failure to resolve agreements for the provision of air traffic control also adversely impacts the ability of BiH to join the European Civil Aviation Conference(ECAC).

106. The European Commission has granted guaranteed funding of a project to be conducted by the International Civil Aviation Organisation (ICAO). This project was accepted by BiH DCA in December, 1998, and is intended to improve the organisation, management and competence of the DCA, as well as to update the Civil Aviation Master Plan (CAMP).

107. During February, 1999, as a result of the urging of my office and SFOR, the BiH DCA signed the tender for the Emergency Transportation Reconstruction Project-Air Navigation Component (BP 12). This project includes a loan from the European Bank for Reconstruction and Development in the amount of about $3.2 million U.S. and will include critical navigation aids for locations at Tuzla, Mostar and Omarska.

108. Air traffic, in terms of both cargo and passengers, was increasing rapidly prior to the closure of the airspace on 24 March, 1999. During January, 1999, passenger traffic in the Federation grew 28 percent over the comparable period in 1998. Although some air corridors have subsequently been reopened for civil aviation, the closure has adversely affected civil aviation in BiH to an extent that cannot yet be measured

109. Air carriers continue to increase service at Sarajevo International Airport. The reconstruction of the passenger terminal and the installation of improved airfield lighting continues.

110. Tuzla airport currently has no commercial air service. However, in January, 1999, the Government of Tuzla-Podrinje Canton requested a study of the airport infrastructure by a U.S. firm. This study has as its objective the improvement of the operational capability of the airport.

111. Banja Luka Airport recently established a Terminal Management Area. In addition, construction has been commenced on a new technical site for the airport. This project was sponsored by the EC. SATAIR, the first airline based in the Republika Srpska, continues to operate scheduled service. A new airline, Air Srpska, has commenced scheduled service.

112. At Mostar Airport, infrastructure and rehabilitation projects are proceeding as planned. The airfield lighting project, which will permit 24 hour per day operations, is expected to be completed by August, 1999. The new air traffic control tower is in the final design phase. The EC and Dutch government have financed overall improvements to the airport in the sum of $5.9 million U.S. for 1999. The financial condition of the Mostar Airport continues to be a significant concern. The accumulated debt of the Interim Mostar Airport Authority amounts to about 125,000 DM. Since the airport is currently operating at a significant deficit, this debt will increase over the next several months. In March, I extended the term of the interim authority until 16 September, 1999.

113. **Military Matters:** We have continued in our efforts to improve the professionalisation of the Entity Armed Forces. There is pleasing co-operation between my office, SFOR and the OSCE in this area. And there has been some progress, although it has not been as rapid as we would wish. Current events in Kosovo have slowed progress in all military matters, as in so many others, but the restraint demonstrated by the VRS, despite some severe pressure from hard-liners, has been impressive and demonstrated a welcome degree of military professionalism.

114. **Demining:** Progress continues to be made in the sphere of demining in Bosnia and Herzegovina, mostly with regard to the Slovenian Trust Fund. This fund, which was set up in March 1998, has become the focus for funding demining and victim assistance for the years ahead. Donors are being encouraged to contribute money through the Slovenian Trust Fund, in order to draw maximum benefit from the "double your money" mechanism, sponsored by the US Government. Their target is to raise $14m by the first week in December 1999. To date there is $1.7m credited to the Trust and a further $7.4m has been pledged by donors. Any desired focus by donors on money transmitted through the Fund remains attached, so there is nothing to be lost but everything to be gained by using this avenue. Work continues to strengthen the status and efficacy of the mine action centres and the de-mining commission.

115. Limited demining occurred in the southerly areas not affected by seasonal bad weather. The Entity Armed Forces Teams did not commence full operations until 19 April. They have been set an ambitious target of clearing 2million square metres this year, by the Joint Military Commission (JMC). The total area surveyed and cleared of mines between January - March 1999 was 248,234 square metres. This included clearing 189 houses and destroying 184 mines. Mine awareness training programmes continue to be delivered by ICRC/UNICEF, and the underlying trend is that mine incidents are decreasing, although sadly, 6 people (including 1 child) have been killed and 5 (including 1 child) injured during this period.

Sarajevo, May 5th 1999